

The Greater Des Moines Chamber of Commerce Federation Statement on Aviation

**Presentation by
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To the United States Senate Committee on Commerce, Science and Transportation:

Good morning Chairman McCain, Distinguished Senators, Members of Congress and guests. My name is Doug Siedenburg. I have been in the commercial real estate business in Des Moines and in central Iowa for the last 24 years. About nine years ago, during the course of working with large corporations examining the metropolitan Des Moines area for the relocation of real estate projects, I noticed that they consistently asked three primary things. 1) What is the cost of labor and what is its availability? 2) What is the cost of real estate in your area? 3) Tell me about your air service. How do I get here and how much does it cost?

It was at that time that I got involved with The Chamber's Air Service Council here in Des Moines. It was very clear to me that quality, cost effective, air service was critical to the overall economic development of our state. At that time, the Air Service Council was taking a landlord tenant approach in dealing with the airlines in our community. By this I mean, we were taking the approach that these companies were our tenants, we want to see them succeed, we appreciate you. During the following 2 – 3 years, we discussed and requested more competitive air fares. Of course, there was no reduction in air fares with that strategy. Four or five years ago we realized that competition was the only way that more competitive air fares were going to come to Des Moines and the State of Iowa.

The Des Moines International Airport Board hired the Des Moines Chamber Federation as a marketing consultant and with many people's help, Vanguard Airlines and America West Express were recruited to our market. Our existing carriers matched their lower fares and their customers followed their "mileage plus." The public did not support our lower fare carriers and as a result Vanguard Airlines left in October of 1996. After that occurred, fares went straight up. Des Moines and central Iowa learned a hard lesson. That lesson will not happen again.

We've raised the competitive airline issue locally and nationally, and others have raised this issue. Now it is at a national crescendo. It appears that Congress finally got the message earlier last year but during the fall Congress made several deals tabling the tough decisions. Not just Des Moines, Iowa but cities like ours all over the United States are struggling with this competitive airline fare issue.

One example of our situation appeared in the April 23 CongressDaily. The article was titled ***They Love To Charge ... And It Shows.*** The article was referring to Senator McCain's visit to Des Moines for these hearings. It read..."A CongressDaily reporter checking the cost of flying there in time to cover the event was quoted a ticket price of \$954 by United Airlines; Northwest undercut it with the bargain fare of \$948. The worse news is that no trip would be nonstop: United's trip is broken at O'Hare Airport and Northwest's route has a plane change in Minneapolis. No airline has nonstop service between Des Moines and Washington." I'm guessing the CongressDaily passed on the opportunity to cover this hearing in person.

Mr. Chairman, this issue is about economic development and jobs. It is about the long-term future of Iowa's economy. When new business' look here, they find a high quality of labor, reasonable real estate prices and an unacceptable air fare situation. They truly go elsewhere.

A personal example I would like to share with you is a business trip I took to southern California at the end of last year. The fare on one of our airlines from Des Moines was \$1100. On the same airline out of Omaha, Nebraska, the fare was \$298. Obviously, I drove to Omaha. The irony of the situation is that I connected with the same flight in Denver that the Des Moines connection would have hooked up with from the Denver to Orange County leg. This situation is unacceptable to Iowa businesses. Our own companies are considering expanding elsewhere. To internally attack the problem they are incentivizing their people to fly out of other airports or by paying their Saturday night hotel stays, food, etc. to accommodate a weekend stay.

The proposed FAA rules have the ability to bring more competition to our markets. Generally, we support strict enforcement of the now proposed FAA rules. However, clear guidelines and further definitive standards of enforcement are necessary to eliminate vague language and potential for inaction. Vagueness in the current proposal must be eliminated. Competitiveness is at the heart of economic air fares. The current rules and methodology are politically comfortable to the major carriers but are stifling the ability of communities to compete economically.

We do not need new laws but we must place these new rules, with teeth, into effect, that will help create a level playing field for economies to compete. We must also get a handle on slot availability. Slots are not business assets, they are a public commodity and we should treat them that way. It would be even better to eliminate the slot situation completely as Senators Harkin and Grassley of Iowa propose.

Restricting slot's at four of our nation's limited access airports is not necessary with today's technology. If you do elect to restrict access to slots, then you must maximize slot capacity at crowded airports like Reagan National by eliminating small aircraft from utilizing them. Do not allow under utilization of slots by big carriers to allow them to stifle competition.

It is especially important and timely to Iowa that we see action on these rules. Access Air, an Iowa-based airline, recently began flying direct and nonstop to New York and Los Angeles. Our community has supported this start-up airline to the tune of \$24 million in private money. Access Air must be given a chance to succeed and money alone is not enough. Access Air needs your help. They need a level playing field; an air service market that does not allow established carriers to unfairly squeeze them out of the market AND they need access to slots, specifically at Reagan National Airport.

Please restore competitiveness into the airline system. Iowans are not afraid to compete economically, but we ask for a level playing field in the air service arena. Thank you, Senators McCain, Harkin, and Grassley and Congressmen Ganske and Boswell, for your continued attention and efforts on this issue. Iowa wants to be part of the solution.